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Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Market-Dominant Price Change : Docket No. R2021-2

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Comments pursuant to Order No. 5905. They focus on one aspect of the proposed changes in First-Class Single-Piece Letter rates which GCA believes should concern the Commission, although it seems not to affect compliance with the price cap, which we understand is the principal concern in the present docket.

The unexplained fifty-percent increase in the non-machinable surcharge. The Postal Service's *Notice*[1] in this docket includes an increase in the Single-Piece Letter non-machinable surcharge from $0.20 to $0.30. This is far larger than any other increase in First-Class Mail. Yet it is completely unexplained in the *Notice*. (By way of contrast, the Postal Service does offer a reason for increasing the differential between Stamped and Metered first ounces by one cent.[2]) We believe that the Commission should be concerned when a significant rate cell is increased more than seven times the rate at which the price cap (including Docket RM2017-3 add-ons) stands in this case, without any stated reason or justification.

The foreseeable effects of the increase. The Postal Service's cap calculations[3] suggest that it expects no volume effect from the increased non-machinable surcharge.

[1] *United States Postal Service Notice of Market-Dominant Price Change* ("Notice"), May 28, 2021.

[2] Id., p. 7.

[3] CAPCALC-FCM-R2021-2.xlsx. This exhibit indicates that the expected additional revenue from the 50 percent increase is about $7.2 million.

The after-rates revenue shown in the exhibit is almost precisely one and one-half times the before rates revenue.[4]

GCA understands that the Postal Service's volume estimation model does not calculate a price elasticity for the non-machinable surcharge separately. (In any event, it is highly unlikely that with an increase as large as this, the model would yield a believable result.) That, however, does not make the apparent assumption in the cap calculation reliable.

The fact is that in many cases mailers do have an opportunity to choose whether to send a non-machinable, rather than a machinable, letter – or to send none at all. The greeting card industry produces a variety of shapes, among which consumers are able to choose. The popularity and artistic advantages of square greeting cards are a long-standing fact of life for greeting card publishers and users, and GCA has informed the Commission of it in the past. See Docket R2006-1, *Direct Testimony of Andrea Sue Liss,* pp. 8 et seq.; especially pp. 13-14. The apparent assumption that these greeting card users will continue to mail square cards as before, even with the cost of doing so raised from $0.75 to $0.88 is thus questionable. Such users may substitute a shape they would not prefer, or scale down their mailings, or forgo them altogether. And greeting card publishers may find it necessary to contract their offerings of square cards, further diminishing consumers' ability to choose.

The rapid schedule of an R- docket has not permitted GCA to conduct a suitable investigation of expected effects, but we are prepared to do so.

Delinking of extra-ounce and non-machinable prices harms the consumer. For several years, senders of personal correspondence have enjoyed the convenience of a single form of indicia – the Butterfly stamp – for either two-ounce or non-machinable pieces. Again without explanation, the Postal Service has decoupled them. GCA of

[4] For Stamped Letters: $10,112 x 1.5 = $15,168; for Metered Letters: $4,535 x 1.5 = $6,802.5. All values are in thousands.

course does not complain that the additional ounce charge remains at $0.20. The issue is the apparent unconcern with how consumers may react to the increased complexity and inconvenience of sending either heavy or non-machinable pieces.

How these issues affect compliance with the statute. Commission Rule 3030.125 allows commenters in R- dockets to raise issues concerning compliance with statutory requirements.[5] GCA would suggest that the following provisions need to be considered:

- The rate change discussed above raises issues under 39 U.S.C. sec. 3622(b)(8). The Commission has said that a rate which is excessive for customers is not a "just" rate within the meaning of this objective. A rate raised 50 percent without explanation is, in our view, prima facie excessive.

- The *Notice* does not address, let alone answer, how the increased non-machinable charge could comport with sec. 3622(c)(3) – specifically, its effect on "the general public."

- Sec. 3622(b)(2) calls for predictability and stability in rates. A rate which had changed relatively little for several years and is then raised by 50 percent has exhibited neither stability nor predictability.

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[5] But with the understanding expressed in Order No. 5763, pp. 255 et seq., concerning consideration of statutory objectives and factors in an R- docket.